

MA 601-1	
Department of Public Health and Human Services	Section: ELIGIBILITY & BENEFIT DETERMINATION
MEDICAL ASSISTANCE	Subject: Prospective Budgeting

Supersedes: MA 601-1 (11/01/2000)

► **References:** 42 CFR 435.601; 20 CFR 416 Subpart K; ARM 37.82.101, .903

GENERAL RULE--Financial eligibility and benefit amount for the current month must be established using prospective budgeting. The best estimate of income, resources, household composition and other circumstances that will occur during the benefit month is used to prospectively determine eligibility.

All prospective budgeting methods can be used with earned and unearned income. However, some specific types of income and situations require certain methods to be applied.

As examples, retroactive benefit months require use of actual income, and periodic income payments received less often than monthly must be prorated over the period intended to cover.

All non-financial requirements (MA 300) must be evaluated prospectively for each benefit month.

GATHERING INFORMATION

Information needed to prospect the individual's circumstances:

- 1. may be elicited during discussions with the applicant /recipient, or from contact with the employer/source of income:
 - a. type of job/source of income;
 - b. nature of job/source of income (e.g., seasonal, on call, sporadic, contingent on weather, etc.);
 - c. rate of pay;
 - d. how often paid;
 - e. number of hours worked per week (if source is a job); and
 - f. whether hours fluctuate (if source is a job).

► **NOTE:** Eligibility case managers should use investigative skills such as asking if a reported change is expected to continue and looking for a pattern of

MA 601-1	
Section: ELIGIBILITY & BENEFIT DETERMINATION	Subject: Prospective Budgeting

overtime pay. If changes are anticipated, alerts must be set on the system as reminders to check for changes and follow up at appropriate times.

2. must include information from the application form and/or reported changes about past, present and future circumstances.
3. must be reevaluated upon receipt of more complete information or change report up to the point of the final eligibility determination.

If eligibility exists:

1. authorize benefits.
2. notify the recipient(s) using the appropriate system notices.
3. send the household HCS-260, "TANF/Medicaid Change Report Form";
4. send the household the change reporting notice on the system; and
5. Document in system case notes the justification for actions taken, including budgeting method used and verification received.

Change reporting and notice requirements must be followed when recalculating benefits; see MA 1501-1.

Information provided by the applicant/recipient must be verified with corroborative documents and/or statements from third parties (i.e., employers, SSA, etc.). If requested, the worker must assist in gathering verification. Client statement is never sufficient documentation, unless specifically noted in other sections of this manual.

PROSPECTING INCOME

To prospect countable monthly income, use one or a combination of the following budgeting methods for income that is reasonably certain to be received (to be determined on a case-by-case basis in conjunction with the household):

1. **Actual** – used when determining eligibility for retroactive periods, and when a pay date in the

MA 601-1	
Section: ELIGIBILITY & BENEFIT DETERMINATION	Subject: Prospective Budgeting

current benefit month occurred prior to the date of application.

- ▶ 2. **Anticipating** - used when actual is not appropriate. Anticipating consists of several options:
 - a. **Averaging**- used when there is a reliable history of income.
 - b. **Prorating over period intended to cover**- used for contractual, self-employment or other income intended to cover a longer period of time.
 - ▶ c. **Rate/Unit/Frequency**-used when none of the other methods are allowed or appropriate.

NOTE: A combination of actual and anticipated methods may be used for the same income source for the same month---for example, when one pay date has already been received and verified for the benefit month, but there is a second pay date still to come, actual will be used for the first pay date and an anticipating method would be used for future pay dates for the benefit month.

The method selected will depend on the income source and the household circumstances.

- ▶ **When pay is received weekly or biweekly, the eligibility case manager must determine in which months the fifth weekly or third biweekly paydays will fall and set alerts to anticipate these extra pay dates. These periodic extra pay dates may NEVER be 'averaged' over the periods between them.**

System case notes must clearly document which budgeting method was used to prospect each source of income, including the verification used (e.g., employer statement, pay stubs, self-employment tax documents, business records, etc.).

Income and income disregards (child support or work expenses of the blind or disabled) for ABD Medicaid can never be factored.

When a case includes Food Stamps, TANF, and/or FMA, weekly and bi-weekly income must be factored for those

		MA 601-1
Section: ELIGIBILITY & BENEFIT DETERMINATION	Subject: Prospective Budgeting	

programs and cannot be factored for ABD Medicaid. When a TEAMS case includes a combination of programs, factored income must be coded separately for ABD Medicaid and for Food Stamps, or TANF/FMA. For a specific example, see the end of this manual section.

ACTUAL INCOME

Actual income can only be used when:

1. computing an overpayment;
2. determining retroactive Medicaid eligibility; or
3. some or all income for the month has already been received.

► AVERAGING INCOME METHOD

When there is a reliable income history, any source of income which fluctuates from month to month (or pay period to pay period) may be averaged. Such income could include: wages, tips, irregular child support, or irregular pensions. (Quarterly bonuses must be anticipated.) Be sure to ask the applicant/recipient if the average is expected to continue and document in system case notes. When averaging, look for patterns of income fluctuations, such as overtime.

1. The eligibility case manager and the applicant/recipient must agree upon:
 - a. a representative period of time;
 - b. the number of pay periods to be used; and
 - c. the pay dates.

Paychecks which are agreed to be unusually high or low should be disregarded unless the trend is anticipated to continue into the prospective period.

It is recommended that an employer statement rather than a client statement be used as verification.

CAUTION: When requesting check stubs for averaging, be sure to request all check stubs received through the date verification is provided to the OPA. Request check stubs from a specific date to "present."

2. Divide the total income received during the representative period by the number of pay dates in

MA 601-1	
Section: ELIGIBILITY & BENEFIT DETERMINATION	Subject: Prospective Budgeting

the period to determine an average amount per pay date.

3. Multiply the average pay period amount by the number of pay dates in a month to arrive at the anticipated income for that month.

Use system alerts to anticipate 3rd biweekly or 5th weekly pay dates.



NOTE: Do not average income when significant income changes are expected in the prospective period. Instead, use the rate/unit/frequency option.

4. Document in system case notes the method used, and:
 - a. the agreed upon representative period of time, and
 - b. the information used to calculate the average pay period amount (gross pay received pay date #1 + gross pay received pay date #2, etc. divided by the number of pay dates used).

NOTE: If certain paychecks were excluded in the averaging process, system case notes must clearly explain justification.

NOTE: When a 3rd biweekly or 5th weekly paycheck is expected in a month, averaging may be used to determine the anticipated amount for each pay date, and the average then multiplied by three or five instead of two or four.

► PRORATING OVER PERIOD INTENDED TO COVER

Prorating over the period intended to cover is applied to contractual, self-employment, or other income expected to cover a period longer than one month, or received regularly, but less often than monthly. Prorating over the period intended to cover involves dividing a total yearly income by 12 months (for self-employment) or dividing the payment by the number of months until the next payment is received (income other than self-employment):

- Divide a payment received bi-monthly (every second month) by two.

MA 601-1	
Section: ELIGIBILITY & BENEFIT DETERMINATION	Subject: Prospective Budgeting

- Divide a payment received quarterly by three.
- Divide a payment received semi-annually (twice a year) by six.
- Divide a payment received annually (once a year) by 12 (this is also referred to as “annualizing”).

Self-employment income is always annualized (total net self-employment income for the entire year is divided by 12)—see MA 503-1. Contractual income is always divided by the period of the contract (for example, the total of a nine-month contract is divided by nine).

NOTE: If significant income changes are expected in any payments received during the review period, the amount to be prorated may change, but the changed payment amount must be prorated over the period intended to cover. For changes in self-employment income, see MA 503-1.

Document system case notes stating the method used, and:

1. The type of income (e.g., contractual, self-employment, etc.);
2. The income amount used,
3. How the amount was determined (history of prior payments, tax return, business records, statement from payment source, etc.); and
4. The period (number of months) over which the income is prorated.

NOTE: Self-employment income must be annualized, regardless of whether the business operates year round, sporadically, seasonally, or begins or ends during the year. For more detail, see MA 503-1.

**► RATE/UNIT/
FREQUENCY
METHOD**

Anticipating based on rate/unit/frequency is used when none of the other methods are allowed or appropriate, such as when:

1. a full month’s income is not expected because the individual will not be working or getting paid for at least one pay period (e.g., new employment, unpaid extended sick leave or unpaid vacation), or the

		MA 601-1
Section: ELIGIBILITY & BENEFIT DETERMINATION	Subject: Prospective Budgeting	

individual expects unusually high or low work hours (not normal fluctuation) during a specific pay period;

2. income is from a terminated source (e.g., lay-off or job termination);
3. income history is not reliable;
4. a significant income change is expected in the future (e.g., a promotion, part-time to full-time or vice versa, additional job duties, a raise in pay, a transfer, etc.).

NOTE: When an expected income change is reported but more detailed information is needed, schedule a review, complete a desk audit, or set a system alert for the time the change is expected. When determining the due date for the alert, allow time for processing and any adverse action notice.

To anticipate income based on rate/unit/frequency:

1. determine how often the person is paid (frequency);
2. determine rate of pay (rate)
3. determine the unit for rate of pay (normally people are paid by the hour, with "hour" being the unit, but some people are paid for each finished product, by the day, by the week, or by the month);
4. determine the number of units per frequency (for example, number of hours worked in a two-week pay period).

NOTE: When an individual is paid semi-monthly, it may be most accurate to determine the number of units per month, rather than the number of units in each of the two differing pay periods for the month.

5. multiply the rate times the number of units in the frequency. This results in the anticipated amount of pay per pay period.
6. multiply the anticipated amount of pay per pay period by the number of pay dates expected in the month to

MA 601-1	
Section: ELIGIBILITY & BENEFIT DETERMINATION	Subject: Prospective Budgeting

determine the total amount of income anticipated for the month.

Document in system case notes stating the method used, including the information used to calculate the anticipated pay date amount(s) (rate, number of units per pay period, and frequency of pay dates).

NOTE: The rate/unit/frequency method may use an average of the number of hours per pay period from previous pay periods when this method is employed to anticipate a change in rate of pay.

INCOME NOT COUNTED

There will be instances when income is not counted prospectively.

Example: A household has no earned income. The household timely reports on a change report form on July 2, that on July 5 a household member will start a job and the first paycheck will be received on July 20. July's earned income will never be counted. The household reported the income timely. July's income could not be reasonably prospected, and therefore was not considered. August benefits were determined based on prospecting August's income using the rate/unit/frequency method based on the information provided in the change report or, if appropriate, an employer statement.

► FLUCTUATION IN PAY SCHEDULE

Occasionally, a scheduled pay date is moved forward or delayed due to a holiday, an employer's personal schedule, because the pay date falls on a weekend, or some other unusual event. When this happens, the pay received is treated as if it were (or will be) received on the normally scheduled pay date for both actual and anticipated income.

EXAMPLES

Actual

Dolores applies for Medicaid on September 25. She works at the hospital and is paid on the 1st and 16th of each month. She provides copies of her 9/1 and 9/16 pay stubs. These actual pay amounts are used to determine her September eligibility.

MA 601-1	
Section: ELIGIBILITY & BENEFIT DETERMINATION	Subject: Prospective Budgeting

Averaging Semi-Monthly Income

Joe has been working for the same employer for two years. His hours fluctuate from week to week. According to Joe, he always works at least 20 hours and never more than 35 hours per week. Joe's pay dates are the 1st and the 15th of each month. He is paid \$9 per hour. Joe is able to provide pay stubs for the last two months (February and March). He states that he expects the next three months (April, May, and June) will be very similar to the past two months in terms of the number of hours he will work.

Average the four pay stubs provided to arrive at an amount per pay period. Joe has agreed the paychecks are a best estimate for the prospective period.

Feb. 1st pay stub	49 hours	\$ 441
Feb. 15th pay stub	42 hours	\$ 378
Mar. 1st pay stub	47 hours	\$ 423
Mar. 15th pay stub	<u>55 hours</u>	<u>\$ 495</u>
	193 hours	\$1737

$\$1737 \div 4$ equals \$434.25 -- the average amount per pay period.

Multiply the average amount per pay period by the number of pay dates in a month to arrive at the anticipated monthly income: $\$434.25 \times 2 = \868.50

Rate/Unit/Frequency #1

If the Joe, in the example above, reported that he expected an increase in hourly wage, the best estimate would be to multiply the average hours by the new rate of pay.

	193 hrs. per month (average per previous example)
\div	<u>2 pay periods per mo.</u>
=	96.5 hours per pay period – units per frequency
\times	<u>\$9.75 per hour – rate per unit</u>
=	\$940.88 per pay period

Rate/Unit/Frequency #2

Gena, an on-going recipient, reports on May 15 that she will begin working on May 20. She expects to work 21 hours per

MA 601-1	
Section: ELIGIBILITY & BENEFIT DETERMINATION	Subject: Prospective Budgeting

week and will be paid \$10 per hour. She will be paid weekly on Thursdays. The "unit" of pay is an hour. The "rate" is \$10. The frequency is weekly.

$$\begin{array}{rcl}
 & 20 \text{ hours per week} - \text{units per frequency} & \\
 \times & \$10 \text{ per hour} - \text{rate per unit} & \\
 = & \$200 \text{ per pay period} &
 \end{array}$$

In this year, there are four Thursdays in June. Therefore, to anticipate June earnings, the \$200 per pay period will be multiplied by four (four pay dates to be received in June). Gena's June wages will be anticipated to be \$800. However, there are five Thursdays in July. An alert is set for June 10 to change Gena's anticipated wages for July to \$1000 (\$200 per pay period multiplied by five). Alerts are set for July 10 to change the August anticipation back to \$800, and are also set for December to anticipate five pay periods for January and for January to set the anticipated income back to four pay periods for February.

Prorate over period intended to cover---Self-Employment

Helen has small business. Her books indicate that she does not receive income every month.

All of Helen's income from this business (minus allowable expenses) for a year period is added together and divided by 12 months to arrive at the countable monthly income.

Jan.	\$ 300.00	July	\$ 500.00
Feb.	\$ 0.00	Aug.	\$ 0.00
Mar.	\$ 350.00	Sept.	\$ 750.00
Apr.	\$ 550.00	Oct.	\$ 450.00
May	\$ 875.00	Nov.	\$ 950.00
June	\$ 550.00	Dec.	<u>\$1100.00</u>
Total:			<u>\$6375.00</u>

$$\$6375 \div \text{by } 12 = \$531.25/\text{month}$$

Prorate over period intended to cover----other

Jake receives a quarterly payment from a trust set up by his grandfather. He does not expect any changes from previous payments. The average of the last four quarterly payments is \$600. \$600 is divided by 3 (a quarterly payment is intended to cover three months until the next quarterly

		MA 601-1
Section: ELIGIBILITY & BENEFIT DETERMINATION	Subject: Prospective Budgeting	

payment), and income of \$200 per month is anticipated for Jake for each month. Jake is reminded to report changes in the amounts of future payments upon receipt.

**COMBINATION
CASE INCLUDING
FOOD STAMPS &
ABD MEDICAID**

Esther has been working for the same employer for two years. She is an on-going recipient. At redetermination, she provides her last seven pay stubs (totaling \$1400.00) representing pay received in the last three months, and including her most recent pay date. Esther is paid biweekly, and indicates that she works a consistent number of hours each pay period. She does not anticipate a change in her hours or her pay rate. Her income for ABD-Medicaid would be projected by averaging the same pay stubs and multiplying the average by the number of scheduled pay dates in the benefit month ($\$1400 \div 7 = \$200.00 \times 2 \text{ or } 3 \text{ pay dates} = \$400.00 \text{ or } \$600.00$), and would be coded 'OM' on EAIN. Her income for Food Stamps would be projected differently, with the result entered on TEAMS EAIN screen as 'OF'. The eligibility case manager would then determine which months in the eligibility period would be expected to include a 3rd biweekly pay date, and set system alerts for the month before each of those months in order to project the income for the 3rd pay date (as well as alerts for the months of the 3rd pay dates in order to change the income back the following month).

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